

Message Text

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ACTION NEA-12

INFO OCT-01 EUR-25 EA-11 ISO-00 AGR-20 EB-11 COME-00 PA-03

PRS-01 USIA-15 SS-15 NSC-10 CIAE-00 INR-10 NSAE-00

RSC-01 AID-20 STR-08 OMB-01 IGA-02 TRSE-00 CIEP-02

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R 041855Z OCT 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7187

INFO AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

AMEMBASSY TOKYO

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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PASS AGRICULTURE

TOKYO FOR AMBASSADOR MOYNIHAN

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: WEEKLY FOODGRAIN SITUATION

REF: A) NEW DELHI 11559 B) NEW DELHI 11424

BEGIN SUMMARY - THE TWO MILLION TON GRAIN LOAN FROM THE USSR
TO INDIA DOMINATED THE FOOD NEWS IN INDIA THIS PAST WEEK.

FULL DETAILS OF THIS LOAN WILL NOT BE AVAILABLE FOR ANOTHER
WEEK OR TEN DAYS. THE FOODGRAIN SITUATION IN INDIA, ESPECIALLY
IN URBAN CENTERS, REMAINS TIGHT, BUT IS EXPECTED TO IMPROVE
WITHIN THE NEXT FEW WEEKS BECAUSE OF INCREASED IMPORTS AND A
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GOOD DOMESTIC HARVEST OF FOODGRAIN. END SUMMARY

1. THE OUTSTANDING DEVELOPMENT IN THE INDIAN FOOD SITUATION DURING THE PAST WEEK WAS THE GOI ANNOUNCEMENT OF A TWO MILLION TON GRAIN LOAN FROM THE USSR. A GOI NEGOTIATING TEAM LED BY MR. P. N. DHAR, SECRETARY TO THE PRIME MINISTER, IS SCHEDULED TO LEAVE NEW DELHI ON OCTOBER 6 FOR MOSCOW TO WORK OUT DETAILS FOR IMPLEMENTING THE GRAIN LOAN AGREEMENT (REFTEL A).

2. ONE IMMEDIATE SIDE EFFECT OF THE SOVIET GRAIN LOAN, ALONG WITH PROSPECTS FOR A GOOD FALL GRAIN HARVEST AND GRAIN IMPORT ARRIVALS FROM PREVIOUS COMMERCIAL PURCHASES IS THAT HOARDED GRAIN IS BEING MARKETING IN QUANTITY. THIS "DEHOARDED" GRAIN WILL BE MOST HELPFUL IN SQUEEZING THROUGH THE "LEAN" MONTH OF OCTOBER.

3. THE MONSOON SEASON OFFICIALLY ENDED ON SEPTEMBER 30. THE OVERALL PERFORMANCE OF MONSOON RAINS THIS YEAR HAS BEEN UNUSUALLY GOOD AND COMPARES FAVORABLY WITH THE RECENT BEST YEAR OF 1970. PROSPECTS FOR THE FALL FOODGRAIN HARVEST ARE RATED GOOD TO EXCELLENT IN MOST PARTS OF THE COUNTRY. GOI OFFICIALS BELIEVE THAT THE PRODUCTION GOAL OF 67 MILLION TONS FOR THIS YEAR'S FALL-HARVESTED FOOD GRAINS WILL BE ACHIEVED.

4. IN THE MEANTIME, FOODGRAIN ALLOCATIONS FROM CENTRAL STOCKS TO STATES CONTINUE TO BE HIGHLY IRREGULAR AND INADEQUATE BECAUSE OF THE DEPLETED LEVEL OF GOVERNMENT STOCKS. ACTUAL ISSUANCES OF FOODGRAINS FROM CENTRAL STOCKS TO STATES TOTALED 750,000 TONS IN SEPTEMBER, COMPARED TO 950,000 TONS IN AUGUST, AND 1.1 MILLION TONS PER MONTH DURING MAY, JUNE, AND JULY. GOI OFFICIALS HOPE IT WILL BE POSSIBLE TO INCREASE GOVERNMENT ISSUES OF FOODGRAIN TO URBAN CENTERS IN LATE OCTOBER--DEPENDING UPON THE POSSIBLE ARRIVAL OF THE FIRST TWO SHIPLOADS OF GRAIN DIVERTED UNDER THE SOVIET GRAIN LOAN.

COMMENT: THE DETAILS OF THE SOVIET LOAN OF TWO MILLION TONS OF FOODGRAINS WILL NOT BE AVAILABLE UNTIL THE RETURN OF THE INDIAN NEGOTIATING TEAM FROM ITS VISIT TO THE USSR, AROUND MID-OCTOBER. WITH PROSPECT OF A CONTINUING FLOW OF IMPORTED FOODGRAINS DURING THE NEXT FOUR TO FIVE MONTHS, IT SHOULD BE POSSIBLE FOR THE GOVERNMENT TO INCREASE THE CURRENT LEVEL OF RELEASES LIMITED OFFICIAL USE

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THROUGH THE PUBLIC DISTRIBUTION SYSTEM IN URBAN CENTERS. ALSO, FREE MARKET PRICES OF FOODGRAINS ARE EXPECTED TO DECLINE. SCHNEIDER

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